



**SAMPLE**

**ARIZONA DEPARTMENT OF INSURANCE**

Market Oversight Division

*Examinations Section*

**JANET NAPOLITANO**  
Governor

2910 North 44<sup>th</sup> Street, Second Floor  
Phoenix, Arizona 85018-7256  
Phone: 602-912-8442 Fax: 602-912-8469  
<http://www.id.state.az.us>

**CHARLES R. COHEN**  
Director Of Insurance

**CERTIFIED MAIL**

(Date)

Minnie Smith  
Law Department, 12<sup>th</sup> Floor  
ABC Insurance Company  
123 Elm Street  
Anywhere, USA 12345

**RE:** Report Of Market Conduct Examination of:  
ABC Insurance Company, NAIC # 12345

Dear Ms. Smith:

Enclosed is a copy of the (Date of Report), Report of Examination of the above-mentioned Company.

In accordance with A.R.S. § 20-158(B), if the Company so requests in writing, the Director shall consider any objections to the Report as proposed and shall not file the Report until after modifications, if any, have been made as he deems proper. Any objections submitted in response to the Report will become part of the Report when filed.

Please send the Company's objections to the Report, if any, to me by (Due Date). Please submit two copies of your objections including attachments. If the Company has no objections to the Report, the Company should submit a letter to that effect by (Due Date).

Should you or your staff have any questions, please do not hesitate to contact me at (602) 912-8442 or by E-mail: [dknight@id.state.az.us](mailto:dknight@id.state.az.us).

Sincerely,  
DEPARTMENT OF INSURANCE

Delbert L. Knight, FLMI, AIE  
Market Examinations Supervisor  
DLK/csm  
Enclosure  
cc: Examination File

# ABC INSURANCE COMPANY

123 Elm Street, 12<sup>th</sup> Floor  
Anywhere, USA 12345

(Date)

**SAMPLE**

Delbert L. Knight, FLMI, AIE  
Market Examinations Supervisor  
Examinations Section, Market Oversight Division  
Arizona Department of Insurance  
2910 N. 44<sup>th</sup> Street, Second Floor  
Phoenix, AZ 85018-7256

RE: ABC Insurance Company, NAIC # 12345,  
Market Conduct Examination Report

Dear Mr. Knight:

This is in response to the Examination Draft Report. This response will address those issues identified in the Draft Report and define ABC's process relative to that concern. ABC is committed to working with the Examiners and the Department relative to those specific claims or Company policy.

## **Cancellations/Personal Automobile**

On pages \_\_\_\_ and \_\_\_\_ of the report, the examiners discuss the ABC auto cancellation process. The examiners cited ABC's proof of mailing process. ABC respectfully disagrees with the examiners on this issue and welcomes the opportunity to revisit the process utilized by the Company when it is necessary to cancel a personal automobile policy for non-payment of premium.

There were nine instances wherein we were unable to provide "proof of mailing as required by A.R.S. § 20-1632.01(B)." We respectfully disagree that the statute requires ABC to provide any specific "proof" of mailing as an element of the statute. The notice requires that the notice be mailed "by first class mail." Our computer system is programmed to generate to required notice and it is processed and sent by first class mail. Our computer system, during the time frame of the examination, did not have the capability of creating a copy of the letter so that it could be archived. We relied on the inherent accuracy and capability of the system to generate and send an accurate and timely cancellation notice. ABC, however, has since modified its computer system to create another copy of the notice to be archived electronically. We hope that this effort will eliminate future problems during an examination, if one should ever be called again.

## **First and Third Party Total Loss Settlements**

ABC was criticized for failing to pay the full amount of ten first and third party total loss settlements. ABC agrees with the findings of the examiners and will pay the claimants when the report is finalized

ABC would like to thank the Department and its examiners for their professionalism during the course of the exam. We believe that the preliminary draft demonstrates that there were no business practices that constitute compliance problems. We have taken remedial steps to reemphasize the importance of following compliance process in the areas mentioned above.

Sincerely,

Bill Smith, CEO



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**CHARLES R. COHEN**  
Director Of Insurance

(Date)

Bill Smith, CEO  
ABC Insurance Company  
123 Elm Street, 12<sup>th</sup> Floor  
Anywhere, USA 12345

**Certified Mail**

**Re: ABC Insurance Company, NAIC # 12345,**  
**(Date of Exam) Market Conduct Examination**

Dear Mr. Smith:

Thank you for your patience while we evaluated the above referenced Examinations results.

The Examiners prepared the enclosed responses to your \_\_\_\_\_ letters of objection to the Reports of Market Conduct Examination. Your objections and the Examiner's reply will be filed with the Reports. You will also find the Company's copy of the final version of the Report of Examination enclosed.

Because evidence was found that ABC Insurance Company violated Arizona insurance law, the examination must be finalized either through a Consent Order or public hearings. The Department prefers to offer Consent Orders as they resolve the matter without the time and expense of a hearing. We have attached a Consent Order for your review.

If the Consent Order is acceptable, please have a corporate officer on behalf of ABC Insurance Company sign where indicated and return the entire Consent Order and Civil Penalty to my attention, by \_\_\_\_\_.

If you should have any questions, or would like to further discuss the proposed Order, please call me at 602-912-8442, or email at [dknight@id.state.az.us](mailto:dknight@id.state.az.us).

Sincerely,

Delbert L. Knight, FLMI, AIE  
Market Examinations Supervisor

Enclosures



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**DEPARTMENT OF INSURANCE**  
**Market Oversight Division**  
**Examination Section**

**JANET NAPOLITANO**  
Governor

2910 North 44<sup>th</sup> Street, Second Floor, Phoenix, Arizona 85018-7256  
Phone: 602-912-8455 Fax: 602-912-8456  
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**CHARLES R. COHEN**  
Director Of Insurance

(Date)

**CERTIFIED MAIL**

Bill Smith, CEO  
ABC Insurance Company  
123 Elm Street, 12<sup>th</sup> Floor  
Anywhere, USA 12345

**RE: Market Conduct Examination Letter Agreement,  
ABC Insurance Company, NAIC # 121345**

Dear Mr. Smith:

The Arizona Department of Insurance would like to thank you for your \_\_\_\_\_  
letter in response to the Report of Market Conduct Examination, dated \_\_\_\_\_.  
Enclosed is a copy of the final Report.

The following are the Findings from the Report of Examination:

- ABC Insurance Company failed to return all applicable sales tax and license fees to ten first-party and third party automobile total loss claimants.
- ABC Insurance Company has refunded \$\_\_\_\_\_ - in restitution plus applicable interest to the ten claimants listed in Exhibit 6 of the Examination Report.

Based upon these Findings, we have concluded that ABC Insurance Company violated the following Arizona insurance laws and rules during the period of the examination:

Arizona Revised Statutes (A.R.S.) §20-461(A)(6) and A.A.C. R20-6-801(H)(1)(b) by failing to return all taxes and license fees to first-party and third-party automobile total loss claimants.

Bill Smith, CEO  
ABC Insurance Company  
5/15/02

The Department has decided to resolve this matter without further administrative action **if** the company establishes to the Department's satisfaction within 60 days of the date of this letter (\_\_\_\_\_) that it has:

1. Established procedures to ensure that all applicable sales taxes and license fees are returned to first and third party commercial and personal automobile total loss claimants.

Upon receipt of the above materials and information, the Report of Examination and ABC Insurance Company's response to the Report will be Filed. Please submit the requested materials and information by \_\_\_\_\_.

The Department shall be permitted, through authorized representatives, to verify that the Company has complied with all provisions of this Letter Agreement.

**If the terms of this Letter Agreement are acceptable. Please have an officer of the Company sign and date where indicated and return the original to my attention by \_\_\_\_\_.**

Thank you for your cooperation. If you should have any questions regarding this matter, please contact me at the above or e-mail me at [dknight@id.state.az.us](mailto:dknight@id.state.az.us).

Sincerely,

Delbert L. Knight, FLMI, AIE  
Market Examinations Supervisor

Enclosures

Cc: Examination file

ACCEPTED: \_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

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**CHARLES R. COHEN**  
Director Of Insurance

(Date)

**CERTIFIED MAIL**

Bill Smith, CEO  
ABC Insurance Company  
123 Elm Street, 12<sup>th</sup> Floor  
Anywhere, USA 12345

**RE:           Market Conduct Examination,  
              ABC Insurance Company NAIC # 12345**

Dear Mr. Smith:

The Arizona Department of Insurance would like to thank you for your \_\_\_\_\_ letter in response to the Report of Market Conduct Examination, dated \_\_\_\_\_. This letter will be filed with the Report. A copy of the Filed Examination Report is also enclosed for your records.

The Department recognizes and appreciates the prompt efforts of ABC Insurance Company in initiating corrective actions on the examination findings. The Examiners found evidence that ABC Insurance Company violated the following Arizona insurance laws and rules during the period of the examination: Arizona Revised Statutes (A.R.S.) § 20-461(A)(6) and A.A.C. R20-6-801(H)(1)(b).

The Department has decided to file the Report of Examination because the Company corrected all violations and has agreed to implement auditing procedures to verify future compliance.

This brings this examination to a close. We appreciate the cooperation ABC Insurance Company and its staff in the examination process. Enclosed is a self explanatory post-examination questionnaire. Your response to the questionnaire would be greatly appreciated. If you should have any questions regarding this matter, please contact me at the number above or e-mail at [dknight@id.state.az.us](mailto:dknight@id.state.az.us).

Sincerely,

Delbert L. Knight, FLMI, AIE  
Market Examinations Supervisor

Enclosure



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***Examinations Section***

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**CHARLES R. COHEN**  
Director Of Insurance

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**M E M O R A N D U M**

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TO: Bill Smith, CEO

FROM: Delbert L. Knight, FLMI, AIE  
Market Examinations Supervisor

DATE: \_\_\_\_\_

RE: ABC Insurance Company –  
Compliance with Consent Order No. 02A-000-INS

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**Within 90 days of the filed date of the Order (Date), the Company shall submit to the Department a written corrective action plan including, but not limited to revised procedure manuals for underwriting, replacement of policies, claims, new or revised auditing and/or monitoring procedures. The Department wants verification regarding the following requirements of the consent order.**

- \_\_\_\_\_ 1. The Company shall provide the Department with evidence regarding the Company's claim practices:
- Failing to include all applicable sales taxes and license fees in the settlement of first-party automobile total loss claims.

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CC: Company File